

Message Text

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ORIGIN AID-05

INFO OCT-01 SS-14 ISO-00 SSO-00 EA-06 PM-03 SP-02 L-01

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DRAFTED BY AID/AA/EA:AGARDINER/EA/L:MHUNTINGTO

APPROVED BY EA:R.H.MILLER

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FM SECSTATE WASHDC

TO AMEMBASSY VIENTIANE IMMEDIATE

INFO AMEMBASSY MANILA IMMEDIATE

C O N F I D E N T I A L STATE 133587

LIMDIS

E.O. 11652: GDS

TAGS: EAID, LA

SUBJECT: FEOF AGREEMENTS

REF: VIENTIANE 4022

MANILA FOR ASSISTANT SECRETARY HABIB

1. UNDER PRESENT CIRCUMSTANCES, INCLUDING THE PAYMENT OF SEVERANCE BONUSES UNDER DURESS, WE ARE NOT PREPARED TO OBLIGATE ANY ADDITIONAL FUNDS FOR ASSISTANCE TO LAOS, INCLUDING DOLLARS 3.05 MILLION FY 1975 FEOF CONTRIBUTION.

2. WE ARE PREPARED TO SIGN A NON-OBLIGATING FEOF AGREEMENT WITH THE CLEAR UNDERSTANDING THAT NO U.S. PLEDGE AND NO U.S. DISBURSEMENTS WILL BE CONSIDERED UNTIL THE QUESTION OF OUR FUTURE AID RELATIONSHIP WITH LAOS HAS BEEN CLARIFIED THROUGH MUTUALLY SATISFACTORY RESOLUTION OF ALL OUTSTANDING ISSUES. OTHER DONORS SHOULD NOT BE MISLED AS TO FUTURE PROSPECTS FOR ANY FURTHER DISBURSEMENTS BY USG WITHOUT A SATISFACTORY RE-CONFIDENTIAL

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SOLUTION OF SUCH ISSUES.

3. IN THESE CIRCUMSTANCES WE CANNOT NOW AGREE TO 50 PER CENT CONTRIBUTION FORMULA PROPOSED PARA 6 REFTEL. WE COULD, HOWEVER, AGREE TO FORMULA UNDER WHICH EACH GOVERNMENT MAY PROVIDE 30 PER CENT OF SCHEDULED CY CONTRIBUTION TO APPROXIMATE THAT ALREADY OBLIGATED BY U.S. WHILE 30 PER CENT MAY

BUY ONLY SIX WEEKS TIME, IT COULD BUY MORE BECAUSE OF PROBABLE REDUCTION IN DEMAND FOR FEOF FUNDS.

4. WE ESTIMATE IN ADDITION THAT LAO FOREIGN EXCHANGE RESERVES AMOUNT TO SOME DOLLARS 5.5 MILLION WHICH WOULD PERMIT AN AMPLE ADDITIONAL LAO CONTRIBUTION TO THE FUND TO CARRY IT WELL BEYOND SIX WEEKS' REQUIREMENTS. IT MAY BE NOTED THAT SINCE IT IS THE LAO WHO APPEAR STRONGLY TO DESIRE CONTINUATION OF FEOF AND WHO ARE BENEFICIARIES THEREOF, THEY SHOULD BE WILLING TO BEAR THE GREATEST BURDEN OF INTERIM FINANCING AT THIS POINT.

5. IN ANY EVENT, ANY PROPOSED TEXTS FOR CY 1975 FEOF AGREEMENT AND CONFIDENTIAL LETTERS ARE SUBJECT TO FINAL REVIEW AND APPROVAL IN AID/W. KISSINGER

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